TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL NOTE

HB 97 – SB 1823

March 18, 2011

SUMMARY OF BILL: Authorizes the State Insurance Committee to establish a program under which citizens of Tennessee may buy into and be covered under the current group insurance health care plan for general state employees, and to establish a schedule of premium payments for citizens choosing to participate.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – Exceeds $5,000,000

Assumptions:

- According to the Department of Finance and Administration, the Division of Insurance, the number and potential cost of claims from a new group of enrollees is unknown and very difficult to forecast due to multiple unknown factors.
- Given the extent of current premiums, the Division of Insurance suggests that the group of non-employee citizens likely to enroll would represent a much higher health-related risk relative to the current group as a whole. The rationale for this is that citizens with greater need for health insurance (individuals with more health problems) will pay the premiums, but citizens with less need for health insurance (relatively healthier individuals) will not enroll because of the premiums.
- Given the likelihood that a new group of enrollees will elevate the overall potential health risk relative to the current group, insurance premiums will likely increase.
- Given the likelihood of increased premiums for the expanded group, state expenditures will increase as a result of paying portions of employee premiums as part of a total benefits package.
- To estimate the potential fiscal impact of this bill, the Division of Insurance provided three detailed possible scenarios for what the fiscal impact of this bill might be given certain assumptions for enrollment increases, premium increases, increases to benefits paid, and whether the new enrollee would be considered a regular enrollee, a retired enrollee, or a COBRA enrollee.
- The first scenario assumed a five percent increase to total enrollment with premiums established for the new group at 110 percent of current group per capita benefit cost. This scenario produced an increase in state expenditures of approximately $4,997,248.

- The second scenario assumed a ten percent increase to total enrollment with premiums established for the new group at 110 percent of current group per capita benefit cost. This scenario produced an increase in state expenditures of approximately $10,069,917.
- The third scenario assumed a five percent increase to total enrollment with premiums established for the new group at 120 percent of current group per capita benefit cost. This scenario produced an increase in state expenditures of approximately $6,603,080.
- There would also be an increase in state expenditures for administration of a health care plan with a significantly expanded number of enrollees.
- Given the extent of multiple unknown variables, the increase in state expenditures is reasonably estimated to exceed $5,000,000 per year.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

James W. White, Executive Director

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